Weekly Economic Review

Alberta manufacturing shipments rebound

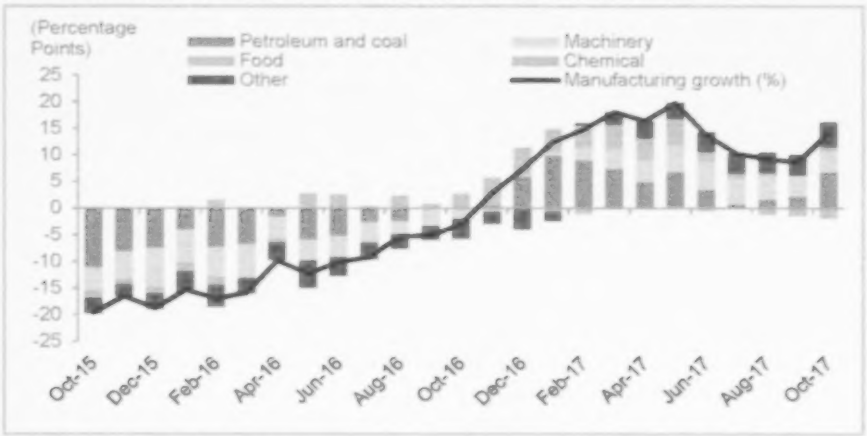
Manufacturing Shipments

Energy products boost shipments

After taking a pause over the summer, manufacturing sales rebounded in October. The value of manufacturing shipments in Alberta jumped 4.2% month-over-month (m/m) to reach $6.0 billion, the largest monthly gain so far this year. The increase was led by sales of petroleum and coal products (+15% m/m), which rose for a third month in a row. It was supported by improvements in food, fabricated metals, and machinery products, all of which dipped in the month prior. Conversely, chemical shipments retreated for the fifth consecutive month after peaking in May. Manufacturing shipments were up 14% year-over-year (y/y), driven by the continued strength in petroleum, coal and machinery sales, which more than offset declines in chemical shipments (Chart 1).

Chart 1: Petroleum shipments jumps in October

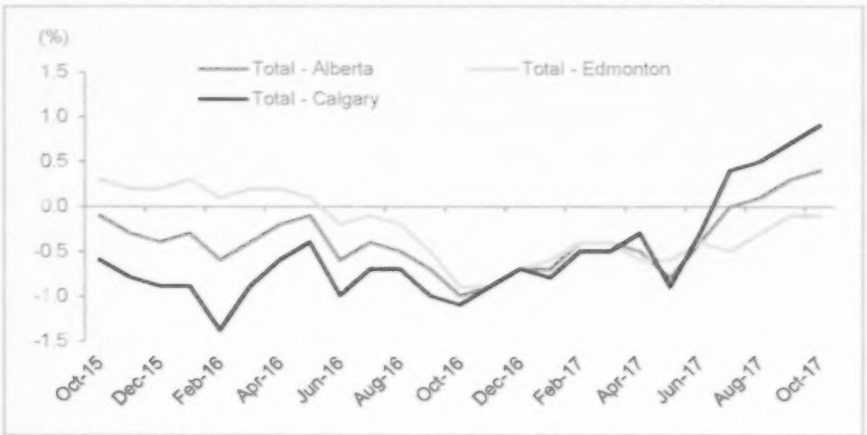
Contributions to year-over-year growth in manufacturing in Alberta



Source: Statistics Canada

Chart 2: Calgary lifts year-over-year growth in Alberta's NHPI

Year-over-year percentage change in New Housing Price Index by city



Source: Statistics Canada

Supply and Disposition of Refined Petroleum Products

Refinery production on the rise

Alberta's refineries continued to ramp up production. In September, total production of refined petroleum products edged up 0.4% m/m to 570 thousand barrels equivalent per day, breaking the average daily rate record set in August. Diesel production increased for the fifth straight month (+11% m/m), resulting in the highest daily output of diesel on record and breaking the old record set in August 2010. Motor gasoline also continued to edge up (+0.6% m/m) after setting a high in August. Compared to September 2016, daily output of refined petroleum products grew 28%.

New Housing Price Index

Marginal rise in new home prices

New home prices remain steady in Alberta. The new housing price index (NHPI) was flat in October and has been unchanged since July. In October, higher prices in Calgary offset lower prices Edmonton (Chart 2). However, the NHPI was up 0.4% y/y reflecting the dip in prices during the economic downturn. Prices in Calgary continued to grow on a year-over-year basis, lifted by higher land prices (+1.0% y/y) and growth in the house-only component

(+0.8% y/y). In contrast, the house-only component in Edmonton has been falling since June 2016 (-0.3% y/y) which has been partially offset by higher land prices (+0.1% y/y).

Resale Housing

Resale housing rebounds

After a pullback in October, activity in Alberta's resale housing market bounced back in November. The number of seasonally adjusted home sales increased 4.3% m/m, reversing the previous month's decline (Chart 3). The uptick in activity was most pronounced in large urban centres and in regions where sales pulled back in October following the new mortgage rule announcement. Consistent with increased sales, the number of listings fell for the second consecutive month. Despite fewer new listings and a balanced market, average resale prices fell 2.8% m/m to $388,187.

National Balance Sheet

Canadian household net worth marginally declines

The net worth of Canadian households fell slightly following strong quarterly growth since late 2015 (Chart 4). Household net worth declined by $11.8 billion to $10.6 trillion as growth in household liabilities outstripped growth in assets. The growth in household assets was stymied by the significant decline in the value of life insurance and pension fund investments. In the third quarter, debt-to-disposable income inched higher (173%) and there was an uptick in debt-to-total assets (+0.2 percentage points to 16.8%). In contrast, household interest-only debt service ratios declined 0.1 percentage point to 6.3% and total debt ratio remained fairly flat relative (13.9%) to the second quarter. Furthermore, the decline in household net worth was virtually offset by growth in the net worth of Canadian corporations and governments.

US Federal Reserve

Federal Reserve hikes target rate

In a widely expected move, the US Federal Reserve (Fed) hiked its target interest rate for the third time in 2017. The Fed increased the federal funds target range by 25 basis points to 1.25%- 1.5%. The decision was made in light of a strong macroeconomic data. Although core inflation (+1.7% y/y) is below the 2.0% target, the Fed expects the target to be achieved by 2019.

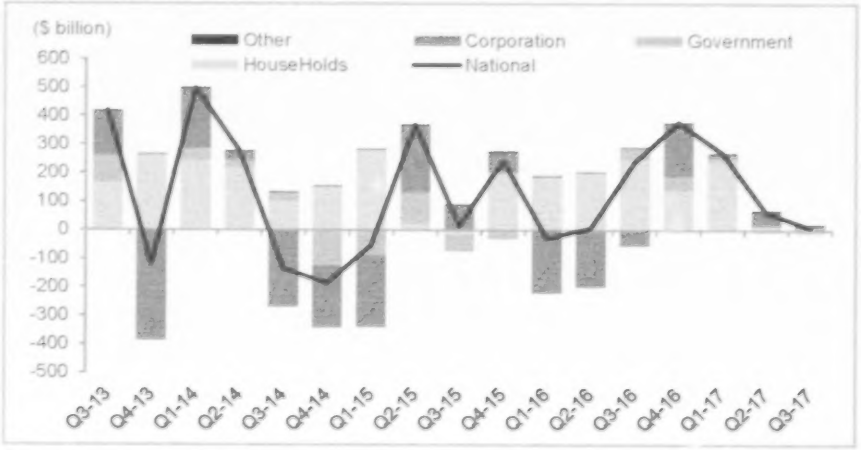
Chart 3: Resale activity in November reverses last month's decline

Seasonally adjusted unit sales and average resale price

Source: The Canadian Real Estate Association

Chart 4: Decline in household net worth since the third quarter of 2015

Change in net worth by sector



Source: Statistics Canada

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.